

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE AUDIT COMMITTEE
OPEN SESSION

Saturday, July 31, 2010

10:39 a.m.

Hyatt Regency Milwaukee
333 W. Kilbourn Avenue
Milwaukee, Wisconsin 53203

COMMITTEE MEMBERS PRESENT:

Victor B. Maddox, Chairperson
Jonann C. Chiles (by telephone)
Thomas R. Meites
John G. Levi, ex officio

OTHER BOARD MEMBERS PRESENT:

Sharon L. Browne
Thomas A. Fuentes (by telephone)
Robert J. Grey, Jr.
Laurie I. Mikva
Martha L. Minow
Charles N.W. Keckler
Hon. Sarah M. Singleton (by telephone)

STAFF AND PUBLIC PRESENT:

Victor M. Fortuno, Interim President and General Counsel

Kathleen Connors, Executive Assistant to the President

Patricia Batie, Acting Corporate Secretary and FOIA Officer, Office of Legal Affairs

Mattie Cohan, Senior Assistant General Counsel, Office of Legal Affairs

Karen J. Sarjeant, Vice President for Programs and Compliance

David L. Richardson, Treasurer and Comptroller

Charles Jeffress, Chief Administrative Officer

Kamala Srinavasagam, Program Counsel III (detailed to the Executive Office), Office of Compliance and Enforcement

Linda Mullenbach, Senior Assistant General Counsel, Office of Legal Affairs

Jeffrey E. Schanz, Inspector General

Joel Gallay, Special Counsel to the Inspector General, Office of the Inspector General

Laurie Tarantowicz, Assistant Inspector General and Legal Counsel, Office of the Inspector General

Ronald "Dutch" Merryman, Assistant Inspector General for Audit, Office of the Inspector General

David Maddox, Assistant Inspector General for Management and Evaluation, Office of the Inspector General

STAFF AND PUBLIC PRESENT (Continued):

Thomas Coogan, Assistant Inspector General for
Investigations, Office of the Inspector General

John Constance, Director, Office of Government
Relations and Public Affairs

Stephen Barr, Media Relations Director, Office of
Government Relations and Public Affairs

Danilo A. Cardona, Director, Office of Compliance
and Enforcement

Alice C. Dickerson, Director, Office of Human Resources

Janet LaBella, Director, Office of Program Performance

Bristow Hardin, Program Analyst III, Office of Program
Performance

Glenn Rawdon, Program Counsel III (Technology), Office
of Program Performance

Nan Heald, Executive Director, Pine Tree Legal
Assistance

The Reverend Pius Pietrzyk, O.P., Board Nominee

Julie Reiskin, LSC Board Nominee

Gloria Valencia-Weber, LSC Board Nominee

Thomas Smegal, Smegal Law Firm

Don Saunders, National Legal Aid and Defenders
Association (NLADA)

Linda Perle, Center for Law & Social Policy (CLASP)

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1 P R O C E E D I N G S

2 (10:39 a.m.)

3 CHAIRMAN MADDOX: I will call to order the
4 meeting of the Audit Committee. And in the interests
5 of time, I'm going to ask if we have a quorum. I guess
6 Tom Meites is here. Jonann Chiles, are you on the
7 phone?

8 MS. CHILES: Yes. I'm on the phone.

9 CHAIRMAN MADDOX: Okay. So we have the entire
10 committee present.

11 The first item on the agenda is approval of
12 the agenda. Is there a motion?

13 M O T I O N

14 MR. MEITES: So move.

15 CHAIRMAN MADDOX: Second?

16 MS. CHILES: Second.

17 CHAIRMAN MADDOX: And the motion is agreed to.

18 The second item is approval of the minutes of
19 the committee's April 17, 2010 meeting. I didn't
20 notice any need for change in those minutes. Does
21 anyone else have any comments on them?

22 MR. MEITES: They're fine.

1 CHAIRMAN MADDUX: Is there a motion to approve
2 the minutes?

3 M O T I O N

4 MR. MEITES: So move.

5 CHAIRMAN MADDUX: Second?

6 MS. CHILES: Second.

7 CHAIRMAN MADDUX: The minutes of the April 17,
8 2010 meeting are approved.

9 The third item is the approval of the
10 committee's June 15, 2010 joint meeting with the ops
11 and regs committee. I noticed the same problem in the
12 earlier version that the ops and regs committee
13 approved, and that is the double recitation of audit
14 committee members.

15 If that's changed to ops and regs committee,
16 any other changes necessary?

17 MR. MEITES: No. It's fine otherwise.

18 CHAIRMAN MADDUX: Motion to approve?

19 M O T I O N

20 MR. MEITES: So move.

21 CHAIRMAN MADDUX: Second?

22 MS. CHILES: Second.

1 CHAIRMAN MADDOX: And the minutes of the June
2 15, 2010 meeting are approved.

3 The fourth item --

4 MS. CHILES: Vic, I'm sorry. Would you mind
5 moving the microphone closer to your mouth? I'm having
6 a hard time hearing you.

7 CHAIRMAN MADDOX: I'm sorry, Jonann. Is that
8 better?

9 MS. CHILES: That's better. Thank you.

10 CHAIRMAN MADDOX: All right. Item No. 4 is
11 the report on the 403(b) plan performance and annual
12 audit, and consideration of and action on changes to
13 the LSC's 403(b) plan.

14 Ms. Dickerson, and Mr. Freedman, who I believe
15 is on the phone -- is Alice here?

16 MS. DICKERSON: Yes.

17 MR. JEFFRESS: Mr. Chairman, this is Charles
18 Jeffress. If I could start off just with a brief
19 overview, and then I'm going to turn it over to Alice
20 for comments, and then Mark.

21 CHAIRMAN MADDOX: Sure.

22 MR. JEFFRESS: There are actually three issues

1 with respect to the 403(b) plan that are covered under
2 this agenda item. We anticipated there might be a need
3 for action on one of them. It does not appear that
4 there is now any need at this moment for any action.

5 The Finance Committee actually approves
6 changes to the plan, and they have approved one change.

7 And so there's not going to be a need to consider and
8 act. But we did want to give you a briefing on three
9 different issues.

10 First, on a quarterly basis, you've asked for
11 a review of the performance of the 403(b) plan.
12 Beginning on page 155 of your board book, you have a
13 memo that describes the performance of the plan for the
14 last three quarters.

15 Probably the most important thing that's
16 happened the last three quarters is that AUL had
17 changed their investment advisors from the Ibbotson
18 Group to Mesirow. Mesirow has come forward with a new
19 list of recommended funds for our plan.

20 And in the attachments to that memo on page
21 157 and -- well, on page 157, you see the performance
22 of the funds that are currently in our plan that were

1 recommended by Ibbotson.

2 For comparison purposes, if you look to page
3 162, you'll see the performance of the funds that are
4 recommended by Mesirow. The Mesirow funds pretty
5 consistently have superior performance to the funds
6 that were recommended by Ibbotson.

7 There are seven that are the same, but the
8 balance of them, two-thirds of them, are being
9 recommended to be changed to different funds serving
10 the same category of investments but different funds.
11 And the performance of the funds by Mesirow seemed to
12 be superior, and we believe that the switch by AUL from
13 Ibbotson to Mesirow will be good for our employees and
14 will result in better performance and better
15 investments.

16 So in terms of performance, while the last
17 three months our current funds have been okay, we do
18 think that the future will be better because of the
19 change by AUL in terms of which funds are in our plan.

20 The second attachment to the memo on page
21 2 -- excuse me, page 160, attachment 2 -- is something
22 that Mr. Meites asked for, that each quarter we report

1 to you what percentage of funds our employees are
2 invested in, which categories. And so this is simply a
3 report on how employees have distributed their
4 investments across the range of funds that we have.

5 Again, it's provided for your information.
6 There are no red flags here for you. There's nothing
7 that requires your action. But in terms of keeping you
8 informed of the performance and to assure you that,
9 with the help of our advisor, Dave Ponder, we are
10 tracking this and staying in touch with this and doing
11 our duty with respect to making sure our plan is
12 operated the best possible way on behalf of our
13 employees.

14 MR. MEITES: I have a question about the
15 second page of attachment 1 and the second page of
16 attachment 3, which are in the same format.

17 MR. JEFFRESS: Yes.

18 MR. MEITES: I'm not sure I understand what
19 the columns are. Percentage return category, what
20 does, for example, 63 mean on page 158 under "One
21 American Funds Capital World"?

22 MR. JEFFRESS: Yes. The title of that

1 category is percentage ranking. So of all the similar
2 funds to American Funds Capital World, American Funds
3 Capital World is in the 63rd percentile in terms of
4 performance. So almost two-thirds of the funds are
5 doing better than American Funds, two thirds of the
6 funds that invest in the same type of investments as
7 American Capital.

8 So each of these funds 1 through 23 are being
9 compared to other similar funds, and the percentile
10 number tells you how well they are performing compared
11 to other similar funds.

12 MR. MEITES: So if I were to want to compare,
13 just as a rough measure, the Alliance Bernstein Funds,
14 which are the new choice --

15 MS. DICKERSON: No. That's the current
16 choice.

17 MR. MEITES: It's the current choice -- oh,
18 Alliance is the old one?

19 MS. DICKERSON: Uh-huh.

20 MR. MEITES: So I would look to the back of
21 attachment 3 --

22 MR. JEFFRESS: And compare that to the

1 American Century Lives Strong funds. That would be the
2 apples-to-apples comparison, where you'd see the
3 performance.

4 MR. MEITES: If we all read the advisors on
5 the financial page of the Chicago Tribune, we know we
6 don't look at short-term performance because that's
7 misleading. We would look at rank, say, for three
8 years. And the smaller the number, the better the
9 performance. Is that right?

10 MR. JEFFRESS: That's correct.

11 MR. MEITES: So when I see that American
12 Century's Lives Strong 2045 is 3, that means it's
13 better than 97 percent of the funds?

14 MR. JEFFRESS: That's correct.

15 MR. MEITES: And if I were to look at the
16 compatible Alliance Bernstein three years, I could see
17 that 91 percent of the comparable funds are better. Is
18 that correct?

19 MR. JEFFRESS: That's right.

20 MR. MEITES: And that's the basis for your
21 conclusion that we should switch to American Century.
22 Is that correct?

1 MS. DICKERSON: Yes.

2 MR. MEITES: All right.

3 MR. JEFFRESS: Well, Mesirow recommends that
4 we do that. Yes.

5 MR. MEITES: I'm sorry. That American Century
6 is a better alternative for our employees. Is that
7 right?

8 MS. DICKERSON: Well, Mesirow is a better --

9 MR. JEFFRESS: Yes. And Mesirow is a better
10 recommender. We're following their advice. It's not
11 our advice, it's their advice. We believe they're
12 giving us better advice.

13 MR. MEITES: Okay. Thank you.

14 MR. JEFFRESS: So that's the first 403(b)
15 issue. And again, that will be a regular report on
16 performance for your information.

17 MR. MEITES: By the way, just -- the reason
18 that I ask for concentration data is if we were to see
19 that, for example, some fund is very concentrated, that
20 would lead us to at least ask questions as to why
21 that's happening, if there's some information that is
22 informally being given to our employees which maybe is

1 not as full and correct as we'd like.

2 MR. JEFFRESS: Okay. The second issue: In
3 your duty as the Audit Committee, you should be aware
4 of when there are any issues with respect to the
5 operation of our 403(b) plan. And there has been one
6 issue this year.

7 The Finance Committee just heard that issue,
8 so I won't repeat it in great detail, except to say
9 that in our review of loans that employees take against
10 their own investments, an employee got a sixth loan
11 when our plan document actually only authorizes five
12 loans.

13 We have changed our internal procedures to
14 assure that, in the future, people don't exceed the
15 number of loans which they are allowed. And the
16 Finance Committee has recommended to the board that,
17 for this plan year, that we allow employees to take up
18 to six loans to assure that we are in compliance with
19 our plan document for this plan year.

20 But again, as the Audit Committee, I wanted
21 you to be aware of when there is an operational issue.

22 And there has been one this year, and the Finance

1 Committee has addressed it.

2 Unless there are further questions -- I think
3 most members were here during that presentation. So
4 unless there are questions --

5 CHAIRMAN MADDOX: Thank you.

6 MR. JEFFRESS: There is a third 403(b) issue,
7 if I may.

8 CHAIRMAN MADDOX: All right.

9 MR. JEFFRESS: And we mentioned this in the
10 Finance Committee, again just for the purpose of giving
11 people a head's up.

12 In the switch of investment advisors by AUL
13 from Ibbotson to Mesirow, a question has arisen with
14 respect to the fiduciary duties. In our current plan
15 document, AUL says that they share fiduciary duties
16 with LSC.

17 A footnote to this: At your last meeting, you
18 all pointed out that we only had one person as the LSC
19 fiduciary, which was Alice Dickerson, our human
20 resources director, who has done a terrific job with
21 that, of course.

22 But based on your advice, we have expanded

1 that. We now have three people. David, Alice
2 Richardson (sic) -- excuse me -- Alice Dickerson --

3 MS. DICKERSON: Dickerson.

4 MR. JEFFRESS: -- David Richardson, and Tracye
5 Busbee, our benefits manager, is a three-person group
6 that are fiduciaries on behalf of LSC. So it does not
7 all fall on one person. We have made that change and
8 that document has been filed. It does not require
9 board action.

10 MR. MEITES: In connection with that, there
11 was a mention of purchasing fiduciary insurance. I
12 strongly urge us to do that. It should cover not only
13 the three people you've mentioned but get as general a
14 policy as you can. It should cover the board, if
15 possible. And they're typically written, as any claims
16 of breach of obligations under ERISA covers officers
17 and directors.

18 And in your case, since I believe one of the
19 people is not an officer, make sure it's broad enough
20 to cover them.

21 MR. JEFFRESS: Sure.

22 MS. DICKERSON: Okay.

1 MR. MEITES: And you should do that on Monday
2 because you never know what my colleagues are typing up
3 this weekend.

4 (Laughter.)

5 MS. DICKERSON: Okay. We were in the process
6 of getting more information on that. But as soon as we
7 feel that we have sufficient information to make that
8 move, we certainly will take care of it.

9 MR. MEITES: Thank you very much.

10 MR. JEFFRESS: With respect to the broader
11 fiduciary issue and Mesirow taking over as the
12 investment advisor, AUL is signing a contract with
13 Mesirow, and in the course of that proposes to change
14 their plan -- or asks us to change our plan document
15 such that AUL no longer has the fiduciary
16 responsibility for the investment advice and Mesirow is
17 accepting limited responsibility for that investment
18 advice.

19 Mark Freedman, who is on the phone, has been
20 doing most of the research and the negotiations over
21 this issue. So let me ask Alice to comment first, if
22 you have some, Alice, and then we'll turn it over to

1 Mark.

2 MS. DICKERSON: Okay. If I can, I'll just
3 clarify one thing, Charles. It's not a change to the
4 plan document. It is a contract. It's a separate
5 contract. So what they are asking is that we sign a
6 new contract.

7 When Mark reviewed the contract, he found many
8 issues with it. And the more he has researched and
9 gone into this with our outside benefits counsel, he's
10 found additional issues.

11 And so we are not at this time signing the
12 contract. We're continuing to do that due diligence
13 process. And I'll let mark go ahead and tell you a
14 little bit about where we are in the process right now.

15 Mark?

16 MR. FREEDMAN: Yes. Thank you, Alice. This
17 is Mark Freedman from Office of Legal Affairs.

18 This situation involves the 321 Investment
19 Advice Services, which was something new that we added
20 that AUL offered when we switched to them for last plan
21 year. As part of that, they offered sharing fiduciary
22 as investment advisors, which basically felt like

1 putting their money where their mouth is. If we were
2 taking their recommendations of what would be in the
3 plan, they were accepting some liability for those
4 recommendations.

5 This seems to be a kind of shifting area of
6 figuring out additional fiduciary liability, in that
7 they are now kind of outsourcing that to the people who
8 are actually providing the recommendations, which is
9 now Mesirow.

10 But they also have recently notified us that
11 they're offering -- AUL is offering its own
12 indemnification to plan sponsors regarding the
13 investment options regardless of whether or not we sign
14 up for this plan sponsor advice 321 fiduciary.

15 So we've got a number of aspects kind of in
16 play right now we're trying to figure out. The
17 specific agreement with Mesirow had a number of
18 limitations on liability that were of concern. It also
19 has some provisions how attorneys' fees are covered,
20 depending on different kinds of outcome, and seems to
21 be essentially more of a -- it's a tradeoff of one set
22 of risks for another.

1 So part of what management will then evaluate
2 is what is in the best interests in the plan overall,
3 and which risks and which rewards we find to be the
4 best balanced for the general liability of LSC both in
5 terms of the individuals making the decisions, and the
6 board, and the entity as a whole.

7 And I can't -- I'm happy to answer any
8 questions. We are not, of course, in closed session,
9 so I wouldn't go into certain details of negotiations.

10 But I'd be happy to answer any questions now
11 generally, or I will be on the phone to the closed
12 session later if there are questions that anyone wants
13 to raise at that time.

14 CHAIRMAN MADDOX: Thank you, Mark. I will
15 probably in touch with you for a more fulsome briefing,
16 if you don't mind.

17 MR. FREEDMAN: I don't mind at all. I'm
18 available at your convenience.

19 CHAIRMAN MADDOX: Thank you.

20 MS. DICKERSON: One thing I would like to
21 mention before we move on is that the Mesirow elite
22 list of funds on which the Lives Strong funds are

1 listed is available to us whether we go ahead and sign
2 the contract for the 321 fiduciary arrangement.

3 And so we are making arrangements how to go
4 ahead and move to those other funds because we think
5 that's prudent, especially given the volatility of the
6 market and the fact that about one-third of the plan's
7 assets are in the target date funds.

8 MR. MEITES: I can say I am familiar with the
9 Mesirow firm, and I am fully confident that they are an
10 appropriate choice.

11 MS. DICKERSON: Oh, good. That's good to
12 hear.

13 CHAIRMAN MADDOX: Anything else, Ms.
14 Dickerson?

15 MS. DICKERSON: No. I believe that covers it
16 unless you all have questions.

17 CHAIRMAN MADDOX: Does that complete the full
18 recommendation?

19 MR. JEFFRESS: Yes, it does.

20 CHAIRMAN MADDOX: Very good. Any other
21 discussion on that? Tom? Jonann?

22 MS. CHILES: No. Thank you.

1 CHAIRMAN MADDUX: Okay. We're going to move
2 to item No. 5, which is a report on the TIG grants
3 management. And I guess we're going to hear from Janet
4 LaBella, director of the Office of Program Performance,
5 Glenn Rawdon, the TIG program counsel, and David
6 Richardson, treasurer and comptroller.

7 MR. JEFFRESS: Thank you, Mr. Chairman.
8 Charles Jeffress. If I could just set the stage for
9 this again.

10 At the last Finance -- excuse me -- Audit
11 Committee meeting, we reported to you that we were in
12 the process of resolving questions about outstanding
13 balances in older TIG grants. The committee requested
14 a fuller presentation on it and a fuller presentation
15 on TIG grants.

16 So what you'll have today from these three
17 people is both a history and a full description of the
18 grants that TIG has awarded and how they do it, as well
19 as a report on how we are resolving the questions about
20 outstanding balances. This is probably important
21 background as well in that an OIG audit of the TIG
22 program is coming up that'll have some recommendations

1 for improvements as well.

2 But let me turn it over to these three people
3 to talk about the program.

4 CHAIRMAN MADDIX: Okay. Before you do, let me
5 just ask that in the interest of time we abbreviate our
6 comments, where appropriate, without deleting from the
7 substance of your presentation, if possible. But we're
8 running into overtime on the Audit Committee meeting,
9 so if we could sort of expedite things as appropriate.
10 Thank you.

11 MS. LABELLA: Okay. Very well. I know my
12 name is first on the agenda. This is Janet LaBella.
13 I'm the director of the Office of Program Performance.
14 But I'm really going to turn it over to Glenn, and he
15 will very quickly go through his PowerPoint
16 presentation for today.

17 But the updates in terms of the progress we've
18 made since the last auditors report are in your
19 materials. I think it demonstrates that we've made
20 substantial progress in reducing the balance, and we
21 continue to do so.

22 MR. MEITES: Before you go on, Janet, there's

1 an important item that it should be brought up. You
2 pay these grants on a milestone basis. Is that right?

3 MS. LABELLA: That's correct.

4 MR. MEITES: And would you state what that
5 means?

6 MS. LABELLA: Sure. I mean, and Glenn can
7 give you far more detail on this. But there's a fairly
8 elaborate process where the grantee submits a request
9 for payment and provides materials demonstrating that
10 they have in fact achieved the milestones that have
11 been set out before each payment period.

12 MR. MEITES: And in the --

13 MS. LABELLA: And there is a staff review of
14 that that is fairly, again, involved, where we have
15 three staff people now prior to my review that review
16 the milestones.

17 MR. MEITES: And the report you gave us at
18 page 166 evidences a number of fairly small balances on
19 a large number of programs rather than a few large
20 programs that a lot is owed on. And that's an
21 artifact, isn't it, of the fact that they're almost
22 done with the work; there's just one or two steps left?

1 MS. LABELLA: That's correct.

2 MR. MEITES: And what your office does is
3 assure yourself that, in fact, they've done everything
4 up to that step or steps. And you urge them to
5 complete the last few steps so they can get paid and
6 you can close out the account. Is that right?

7 MS. LABELLA: That's correct. And as I said,
8 Glenn can go into much more detail on this. But rather
9 than close out grants prematurely and ensure that they
10 don't finish them, we work with the grantees who are a
11 little bit behind, who have encountered some
12 difficulties, to hope that they do complete.

13 And as Glenn can tell you, there have been
14 several of those instances, in fact, some of them that
15 had been substantially behind, usually due to
16 circumstances outside of their control, where they were
17 able to complete the grant, which is to everyone's
18 benefit. And that is our goal.

19 MR. MEITES: And I appreciate the "forget the
20 stick, the carrot" approach you're using. Go ahead.

21 MR. RAWDON: Okay. I will try to go through
22 this very quickly. At our TIG conference, we had what

1 we called an "ignite" session, where we had several
2 presentations where everybody had only five minutes.
3 It went very quickly. And I'll try to do the same.

4 Very quickly, as a background for the TIG
5 program, we had a conference in 1998 at the Airlie
6 Conference Center, where we had people, technology
7 experts from all around the country, talking about
8 where we should be on technology.

9 Then we moved to work further with the Project
10 for the Future of Equal Justice and several others to
11 form a group called the IMAG group, the Information
12 Management Advisory Group. And out of that group came
13 some early ideas for our websites.

14 Then in 2000 we were able to get a special
15 appropriation from Congress. Now, you see this \$4.25
16 million. If you see \$5 million someplace else, we had
17 \$5 million actually in the language, but we had a
18 rescission. And so the effective amount that we had
19 was 4.25.

20 Since that time, we've made 414 grants
21 totaling \$33 million. And one thing you should think
22 of: If you look at the pd of time that this covers,

1 that's basically 1 percent of what the field grants
2 are. So we're working with a very small amount of
3 money for the same number of programs.

4 And we're trying to increase the access to
5 justice through this, and also work to build
6 partnerships with others to work with us on these
7 access to justice issues.

8 Now, one of the things that you have to
9 understand is that the expertise of our programs in
10 2000 was not nearly where it is today. And we wanted
11 to put an emphasis on research, development,
12 innovation.

13 The idea was it was okay to fail, that
14 everything that you try is not going to work because
15 we're trying to push the envelope to move on to new
16 methods of delivering legal services to those people
17 that we can't meet. And we also wanted to make sure
18 that these grants would raise the ships for everybody
19 so that not just the programs that got the grants would
20 benefit, but that all the programs across the country
21 would benefit.

22 One of the ways that we did this is by

1 levering resources. You can see that, just for
2 example, last year's grants were \$3.5 million, but an
3 additional \$1.8 million came from other sources, so
4 that there was a lot of extra money that comes into
5 these projects.

6 MR. MEITES: Could you give us an idea of the
7 other sources?

8 MR. RAWDON: The other sources are going to
9 be, a lot of times, the IOLTA foundations. They're
10 going to be looking to the courts to put money into the
11 projects. They're looking at other grantors.
12 Sometimes it might be an AT&T accelerator grant.
13 There's a variety of different sources that they find
14 to put the money into these other projects.

15 And then also we made sure that anything that
16 you develop -- and this is one of the grant assurances
17 we have of the TIG program -- is free or low-cost to
18 other programs. What we didn't want is some vendor to
19 create something, and then try to sell it to all the
20 rest of our programs.

21 And so you heard from Wisconsin Judicare when
22 they gave their presentation about how they're doing

1 the internet representation project. Well, they didn't
2 have to pay for any of that code that they're getting,
3 that's being modified from Michigan to Minnesota. All
4 they have to do is to make those few changes they need
5 to implement it there, and it's free to them under our
6 program.

7 Now, we tried to coordinate some national
8 systems, and one was the systems of statewide websites.

9 The other is -- well, I won't read these to you
10 because there are slides on all of them.

11 We now have a system that we didn't have
12 before of statewide websites in every state, every
13 treaty. Every one of the LSC grantees is part of it,
14 and it reaches all across the country.

15 And we try to have information there for our
16 clients to help them when we don't have the resources
17 to help them help themselves; or, hopefully, they'll
18 find the information they need before they even call
19 us, or, as we heard about the preventive legal
20 services, they'll find information there that can help
21 them avoid situations where they then later need
22 representation.

1 And this is an example from Illinois. All of
2 the ones look slightly different. But basically, you
3 say what your problem is, where you live, and then we
4 try to get you to the resources to do that.

5 Also, we've tried to be conscious of people
6 with limited English proficiency. And this is an
7 example of the 34 languages that are available from Law
8 Help New York. Now, not every state has as many
9 languages available, but we're working with them on
10 tools so that we can improve this.

11 Another thing is --

12 (Noise from telephone.)

13 CHAIRMAN MADDUX: Is there a comment?

14 MR. RAWDON: Okay. Another thing is Law Help
15 Interactive, which is a national document assembly
16 server that we've created from a donation from
17 LexisNexis of their server. It's available to every
18 one of our programs and our court partners that do this
19 to deliver the automated documents.

20 And so you can see that most of the
21 states -- now, every state in blue has content on this
22 server. Again, it's available to them for free. They

1 don't have to pay anything for this. It's completely
2 supported by TIG and other funding partners. SJI has
3 been a big partner on this as well. It's a project
4 that is managed by Pro Bono Net, but it's funded
5 through a grant to Ohio Legal Services.

6 Now, this --

7 MR. LEVI: What are the different colors?

8 MR. RAWDON: The blue is the ones that have
9 content, and the grey are the ones that still don't
10 have any content yet on the server. But you can see
11 most of the country now has content.

12 And as you can see the usage increasing here,
13 those on the left are the interviews, and on the right
14 are the documents that have actually been generated.
15 And you can see at the top how they've gone up each
16 year. Last year we had 147,000 documents. Already by
17 June 18th, we had 93,000 documents that have been
18 generated. So the usage is going up, up, and up.

19 It's used not only by pro se litigants, but
20 also we're encouraging our advocates to put their forms
21 up there to save time. Pro bono clinics are working
22 with this. The court self-help clinics are putting

1 documents on here. It's a wide variety of individuals
2 and organizations that are using this. Yes?

3 MR. MEITES: I actually have never seen any of
4 your online forms. How would I go about finding one?
5 I'm from Illinois. What would I do?

6 MR. RAWDON: If you're from Illinois, they've
7 got a section in there on interactive forms. And just
8 search for like help on a divorce problem and then look
9 at their interactive forms, and it'll take you right to
10 the interactive documents.

11 MR. MEITES: And if I fill out the form and if
12 my local court has electronic filing, can I just file
13 it electronically?

14 MR. RAWDON: Not yet. This is the form in
15 Illinois, Tom, that you would use. You would go here
16 and start searching for your help, and it will take you
17 to the interactive forms that are available on that
18 website. We don't try to host them all in one national
19 place; we deliver them through the statewide websites.

20 MR. MEITES: But electronic filing is
21 available not yet, but you're thinking of it; or it is
22 available?

1 MR. RAWDON: We just finished a study on
2 electronic filing and how we can move forward on that,
3 and we are trying to make sure that what we do
4 integrates with what the courts are doing on the
5 electronic filing.

6 MR. MEITES: Thank you.

7 CHAIRMAN MADDOX: Just for the record, Tom, I
8 just Googled "Illinois Legal Aid," and I pulled up that
9 very slide. So it's --

10 MR. MEITES: Okay. So it's easy to get to.

11 MR. RAWDON: It's very easy to get to. And
12 also, that map that we have at LSC, where I showed you
13 earlier of the system of statewide websites, you click
14 there and you can get to the one as well.

15 But, you see, this is -- and I didn't go
16 through this in depth because of the time, but this is
17 kind of the initial screen. We use an avatar, a road
18 to the courthouse, simple questions. It's very easy to
19 use.

20 You can see here you'll see something like
21 this. They just put in their names, and then they come
22 here as well, and it asks them questions. You can put

1 help. You can embed different audio and visual files
2 in here. We're working on it to adjust the font size
3 for people that are vision-impaired. And so we've
4 really spent a lot of time in thinking how this works.

5 And the public surveys we get just show that
6 they really appreciate the help and that they love the
7 interface.

8 Also, we've added live help to many of the
9 websites so that if you're online and you can't find
10 something, you can ask question and then a live person
11 could respond, not with legal advice but with
12 information on how to find it on the websites.

13 Another thing is videos. You can see this
14 LegalTube that Arkansas has done, working with YouTube,
15 so that they can have client education videos that are
16 available for our clients as well. And we're working
17 on more of these projects across the country with TIG.

18 I-CAN!, which has been very successful to get
19 the EITC returned, it's out of the Legal Aid Society of
20 Orange County, and they've been very, very successful.

21 You can see that in the life of TIG, it's returned
22 over \$308 million to low-income users. And last year

1 alone, \$142 million of tax refunds were returned, and
2 of that, \$43 million was the EITC.

3 So for a small investment from TIG, it's a big
4 return for our clients. And unfortunately, it's
5 estimated maybe \$12 billion of EITC goes unclaimed each
6 year, and we're trying to work to promote this, to get
7 more of this returned.

8 And so, also, we listened to our programs and
9 what they need, and we came up with the baselines a
10 couple of years ago on where our programs should be on
11 technology. And so in those baselines, the executive
12 directors told us there were three things.

13 The three top things we could do to help them
14 is training, an information clearinghouse, and direct
15 technical assistance. So we've worked through a
16 TIG-funded project called LSNTAP, Legal Services
17 National Technology Assistance Project.

18 And with this, we have a website here that has
19 a wealth of information on technology. We also have
20 trainings that are free to them, and you can see the
21 surveys from the participants show that 96 percent of
22 them reported that it helped their service

1 delivery -- not just technology, but service delivery.

2 And they've been very successful.

3 The same we've done with the help desk, so
4 that if they need assistance with a project, they can
5 contact NTAP and get help with that assistance. And
6 you again can see these survey results have been very,
7 very positive of this. It's available to any of our
8 programs for free to help them with technology
9 projects.

10 Also, we've funded the Legal Meetings Project,
11 which is an online webinar type thing. I heard the
12 board mention yesterday about having more webinars.
13 This is something we've been pioneering for years.

14 And I'm happy to report that this is the last
15 year we think TIG is going to have to support this.
16 There's no grant application in next year. Enough of
17 our programs are paying small amounts of money to use
18 this now that it is sustaining itself. And each
19 license reports an average savings of \$10,000 on what
20 they've been saving on this. So if you multiply this
21 by the people using it, you can see it's a huge savings
22 to the community.

1 Now, this year we have \$3 million. We have 57
2 applications. And right now, the applications are
3 under review. Wanted to tell you, this is what the
4 review process looks like.

5 The TIG staff does the primary and secondary
6 reviews. Then it goes to Janet, the director of OPP,
7 for a review of what we've done. Then it goes to the
8 vice president, Karen Sarjeant, for an additional
9 review. Each step of the way, we have meetings to
10 discuss the funding decisions. And then finally, it
11 goes to Vic, so that he'll be making the final
12 recommendations on funding.

13 We have a new system that we're using this
14 year to help us with the reviews. These seven
15 criteria, we try to do these for each one of the
16 grants. You can see these that we try to look for.
17 It's very important to us, especially the justice
18 community partnerships. We want to see our programs
19 reaching out.

20 But then this is what the review looks like
21 very quickly. We'll go through a section. All of us
22 can make comments. You'll see my colleagues, Magali

1 and Jane, and then my comments at the bottom. Now,
2 this is for each section of each one of the grants.

3 At the end of the grant, we come through and
4 we make our final recommendations. We can change our
5 recommendations of how much we think, whether we think
6 it's highly recommended, recommended or not
7 recommended.

8 All these comments, then, go to Janet so she
9 can make her review. She'll see what we've said here.

10 Then she can make her recommendations, and then those
11 go to Karen Sarjeant, who has the same type of process
12 that can be memorialized.

13 And then also, when they go to Vic, the same
14 way, so that we can be responsive to what the GAO said
15 in being able to document the review process. So each
16 stage of the process in our new system, the LSC grant
17 is memorialized so that anybody can see how it was
18 done. You ask --

19 MR. LEVI: Is this new?

20 MR. RAWDON: This is new. This is brand-new
21 this year We just moved to LSC grants, and we've just
22 been trying to stay one step ahead of each part of the

1 process. And so we've never had this capacity before.

2 And Tom, you also asked about the milestones.

3 This is what a typical milestone schedule will look

4 like. This is a grant that Colorado did last year.

5 And so we don't pay just because they made the grant.

6 They have to do performance. They get initial payments

7 and they get paid for progress.

8 You'll see here, this is what a report looks

9 like. Now, this says page 1 of 3, but that's a little

10 deceptive. It's actually three pages of narrative, and

11 then on this particular report, there were 16

12 additional pages of attached documents that went along

13 with it for our review.

14 You can see it's reviewed by our intern to

15 make sure that everything that is said was submitted,

16 is submitted. It's reviewed by Magali, the grants

17 analyst, to be sure of her assessment of this, and if

18 she thinks something's missing from the grantee or they

19 haven't fully answered the question, she'll get back to

20 them.

21 Then it goes to myself or to Jane for

22 additional review, so that we can believe that

1 everybody before us has gotten all the information.
2 And then it goes to Janet for a few, and then it goes
3 to Dave's office for final payment. So every one of
4 these is touched by five different staff people
5 reviewing them for completeness before there's a
6 payment. Now --

7 CHAIRMAN MADDOX: Let me ask you on the
8 milestone issue.

9 MR. RAWDON: Sure.

10 CHAIRMAN MADDOX: I was looking at the list of
11 open TIG grants. And for instance, on page -- I guess
12 it's 59, maybe -- no. It's not 59. I removed -- this
13 was from the earlier version of the book, so --

14 MR. RAWDON: Can you give me the TIG number?

15 CHAIRMAN MADDOX: It's TIG No. 00060, zero
16 zero zero sixty. And it's for a quarter of a million
17 dollars, basically.

18 DEAN MINOW: How many pages in is it?

19 CHAIRMAN MADDOX: Maybe four or five pages in,
20 Martha.

21 DEAN MINOW: Thank you.

22 CHAIRMAN MADDOX: It's page 6 of 63.

1 MR. LEVI: Orange County. Orange County.

2 MS. LABELLA: Oh, okay. So that's on
3 the -- not the list of open grants.

4 CHAIRMAN MADDOX: This is the open TIG grants.

5 MR. RAWDON: No. Those aren't the open TIG.

6 CHAIRMAN MADDOX: Sorry. This is the total
7 list.

8 MS. LABELLA: The total list.

9 MR. RAWDON: The total?

10 CHAIRMAN MADDOX: Yes. That's the total list.

11 MS. LABELLA: Okay. So that's -- and it was
12 on page 6 of that one?

13 CHAIRMAN MADDOX: Six of 60.

14 PRESIDENT FORTUNO: Six of 60. You'll see at
15 the bottom right-hand side, in light blue, that
16 pagination.

17 PRESIDENT FORTUNO: Eleven of 63.

18 CHAIRMAN MADDOX: Six of 63.

19 MR. LEVI: You're looking at 6 of 63?

20 MS. LABELLA: Right. And so which one was it,
21 again?

22 CHAIRMAN MADDOX: It's TIG No. 00060, zero

1 zero zero sixty.

2 MR. RAWDON: To DNA?

3 CHAIRMAN MADDOX: To DNA. A quarter of a
4 million dollars. And I'm wondering, I mean, it looks
5 like this project didn't work, and it didn't work
6 because of staff. It is: "The key staff did not
7 encourage clients to use the kiosks, and haven't
8 provided support."

9 So how much of that quarter million dollars
10 was actually funded?

11 MR. RAWDON: All of it. The project
12 technology itself worked. Everything worked. The
13 kiosks were done. The kiosks were installed. But then
14 there was problems internally with their staff. They
15 would unplug them because they didn't like the way they
16 were speaking all the time.

17 And I went out there. I made a program visit.
18 We talked about ways that we might refine this so that
19 they could use this in better ways. But essentially,
20 there wasn't enough usage that we could deem it a
21 success. Nothing failed from the technology.

22 CHAIRMAN MADDOX: Right.

1 MR. RAWDON: But the implementation itself and
2 the acceptance failed.

3 CHAIRMAN MADDOX: So basically, the project
4 people let us down on that one because basically, the
5 key staff didn't follow through what the management had
6 directed them to do.

7 MR. RAWDON: Correct.

8 CHAIRMAN MADDOX: So I'm wondering if in your
9 review criteria list, the audit will include a
10 feasibility item, some sort of like troubleshooting
11 concept: What can go wrong with this project? Do we
12 want to fund it to a quarter of a million dollars if
13 its success is totally dependent on the cooperation of
14 people who may be resistant to it?

15 And if it is, I mean, maybe there ought to be
16 some sort of follow-through process to make sure that
17 as the project is being funded, we're actually getting
18 cooperation internally that we need with the grantee
19 because that just seems like a waste of money that was
20 a shame, frankly.

21 MR. RAWDON: Well, and it was. And we do have
22 a component out. Remember, this was the first year.

1 And we've learned a lot in what we ask for from the
2 first year. "00" means that it was 2000. And so we
3 have refined what we've asked for to get more staff
4 buy-in and more assurance on that.

5 But you're right. I think what happened there
6 is the staff was not involved in the process, so that
7 they actually had buy-in. And then management wasn't
8 forceful enough, perhaps.

9 CHAIRMAN MADDOX: Well, I'm just saying, it
10 seems to me that you might want to think about even
11 though a project in concept is fantastic and
12 technologically it's all possible, if it's dependent on
13 something that's very low-tech but isn't going to work
14 or isn't going to be implemented, we ought to think
15 about that before we spend the money. But I'm not
16 criticizing the program overall.

17 MS. BROWNE: I do have a question. This
18 program didn't work mainly because of, say, staff
19 didn't really like it. But you still have all the
20 physical equipment there on site. What happens to the
21 physical equipment that is no longer being used for the
22 TIG grant?

1 MR. RAWDON: It was still there. Like I said,
2 I talked with the program directly to see if they might
3 be able to adapt it to use for maybe some like online
4 intake type of process. But the kiosks were still
5 there at the offices.

6 MS. BROWNE: Well, is there any way to recycle
7 that equipment and maybe move that? Since the physical
8 equipment is still good, move it to another program
9 that might be able to have a staff that is more
10 receptive, or have them sell the program and repay LSC?

11 MR. RAWDON: It's possible they might be -- we
12 don't actually own the equipment. I mean, DNA owns the
13 equipment. And so I'm not sure how -- I mean, I don't
14 know that we could require them to give back the
15 equipment. But, you know, we could certainly -- if
16 another organization wanted kiosks, then we could see
17 if it might be able to be recycled.

18 MS. BROWNE: So if we give a TIG grant and
19 they at least follow through with the physical
20 improvements that they say that they're going to do,
21 and they do do it, we have no other recourse if it
22 doesn't work, if they don't want to use it any longer.

1 It just sits there and can gather dust.

2 MR. RAWDON: Right. It's just like any other
3 equipment that they buy with LSC funds. I mean,
4 they've got rules from the property acquisition manual
5 they must follow, all those types of things.

6 But again, remember, we're trying to say that
7 we realize all of these won't work. We had another
8 project that looked really good. The technology worked
9 really well. It was going to work with pro bono
10 attorneys. And we couldn't get enough pro bono
11 attorneys to actually staff the project.

12 CHAIRMAN MADDIX: Was that the Utah?

13 MR. RAWDON: That was the Utah project. And
14 so -- but yet we've had other projects with pro bono
15 attorneys where it has worked.

16 MS. BROWNE: Can we do kind of a
17 clearinghouse? I mean, when we don't have the
18 equipment that's working -- I hate to see good
19 equipment just sitting there.

20 Is there a clearinghouse or some way that
21 other organizations can find this equipment, maybe buy
22 it from them at a discount price, or something to get

1 it back into a working arrangement?

2 MS. LABELLA: We could look into something
3 like that. I think that's a good idea, if in fact DNA
4 doesn't see any prospect of finding a use for the
5 equipment, either where it's currently situated or, as
6 Glenn mentioned, using it for some other purpose like
7 online intake or something like that.

8 But that's a good idea to look into in the
9 future that if there is equipment that isn't being
10 used, that somehow we produce a clearinghouse to see if
11 there are others interested and work out some
12 arrangement where it can be transferred.

13 MR. RAWDON: And like I say, this was the very
14 first year, too. So we've kind of moved away from
15 buying kiosks. We've learned that there are less
16 expensive alternatives to do that. And so we really
17 haven't been encouraging the programs for a while to do
18 kiosks, per se.

19 Okay. And the last slide is talking about the
20 future. And so I started by telling you about Airlie
21 and the conference that we had. And so the question
22 that the board might want to take up is: Is it time

1 for another summit on technology?

2 Much of what we envisioned back in 1998 has
3 now come to pass. And is it time to look for things on
4 how we use mobile connectivity? Social media?
5 Promotion of the forms for the courts, the e-filing
6 initiative that we've been talking about there? How is
7 it that we really integrate and are prepared with the
8 courts?

9 One of the things we have to be careful about
10 with this e-filing is that it doesn't leave our clients
11 behind because e-filing now, as the vendors envision
12 it, is for the big law firms.

13 And we've got to be sure that they don't set
14 something up that's not usable, something as simple as
15 a fee waiver. How are we going to do online fee
16 waivers? I saw one e-filing system in California where
17 it said, if you need a fee waiver, come to the
18 courthouse. Well, that's not very helpful for our
19 clients.

20 Expanding pro bono, how can we use the
21 technology to expand there? And where should we be
22 looking for new partners? With all the emphasis on the

1 cooperation with the federal government, what other
2 partners in the -- we've partnered for several years
3 with SJI. What other partners should we be looking to?

4 MR. LEVI: Let me ask about the linkage of our
5 own grantees and LSC. How are we doing in that arena?

6 That's sort of a different arena. Not just to the
7 public, but among ourselves -- how are we looking?

8 MR. RAWDON: Well, I think that with
9 the -- I'm hoping with the new system that was approved
10 this morning for the teleconferencing, that we'll be
11 able to do more of that.

12 And also with the suggestion on the webinars:

13 We have Go To Meeting accounts at LSC, and they've
14 been used some. We had a virtual visit with Guam,
15 where we did -- because of the distance, we did our
16 program review for Guam with a Go To Meeting virtual
17 meeting type of thing.

18 So I'm not saying we're doing as much as we
19 should, but we are doing some.

20 MR. MEITES: Glenn, I think that it is
21 important you have another global meeting. I think the
22 Audit Committee supports that, and to the extent our

1 support will get you money out of the Finance
2 Committee, we wish you well.

3 MR. RAWDON: Thank you very much. Are there
4 any questions?

5 (No response.)

6 CHAIRMAN MADDOX: Thank you very much for your
7 presentation.

8 MS. LABELLA: Thank you.

9 CHAIRMAN MADDOX: David?

10 MR. RICHARDSON: A short follow-up. At the
11 year end, we did have over \$6 million in payables to
12 our technology grants. We've been working closely with
13 Glenn and his group. And as of earlier this week, that
14 total is down to \$3.2 million.

15 So we've cleared out some of the older grants
16 that were in there. Some of these that Glenn has lists
17 of balance on, we're working on those, and we hope to
18 get many of those cleared out in the next few weeks as
19 we move forward to reduce this even further as they
20 meet their milestones.

21 And there's actually a couple in here where
22 there's some confusion about paperwork that went back

1 and forth three or four years ago. And we will get
2 those straight and come back with a reduced amount
3 again with the payables for the year.

4 The list that you have does not include 2009.

5 My list does. So at this point, as of Monday, the
6 payables are coming into line with where they should,
7 and like I said, we will work closer with them to get
8 this down even further.

9 CHAIRMAN MADDUX: Martha?

10 DEAN MINOW: It's Martha Minow. I'm not a
11 member of the committee, but I had two questions that
12 really are about are there lessons learned, both on the
13 financial management side and also on the substantive
14 side? Because it sounds like there's now been enough
15 experience that maybe it's a time to step back.

16 On the lessons learned, are there potential
17 analyses of the time frame that it takes to do these
18 grants that make the failure to comply actually a
19 feature of the time frames that we've used? That's one
20 kind of question. A second question is, are there
21 lessons -- you just implied this -- about the kinds of
22 projects to be promoting?

1 And maybe related to what Sharon said a moment
2 ago, are there lessons about whether we should have
3 conditions about the purchase of hardware, if it's not
4 used, that it should not belong to the entity any more;
5 it should be brought back to us.

6 I just wonder, are there lessons learned? Is
7 there a process for articulating lessons learned?

8 MR. RAWDON: Well, and we've actually
9 incorporated a lot of the lessons that we've learned,
10 and from the results of the audit, by making sure that
11 no one can get a new grant now if they've got an
12 existing grant that's behind.

13 We are encouraging the grantees to really look
14 at their timeline because so many times they get too
15 ambitious. They think they can finish a project in a
16 year when they actually can't, especially when you have
17 partners like the courts and others where you don't
18 have absolute control over those.

19 And so we're trying to get the grantees to be
20 more realistic about that. And actually, we want to be
21 more proactive as well. With the new system that we
22 have, as soon as we get this application cycle, we can

1 set it up to do some automatic reminders that will send
2 out automatically to the grantees when their deadlines
3 are and will copy us on when those deadlines are so we
4 can be more proactive with reaching out to them, not
5 necessarily to try to immediately start terminating the
6 grant, but to seeing what the delays are from and
7 seeing what we can do to assist them to get through
8 those delays.

9 DEAN MINOW: Those are all good suggestions.
10 But I guess I'm asking something more fundamental. Is
11 this a moment to step back and to ask, as an
12 organization, have we set up the grants process
13 correctly? Do we have as our default or our assumed
14 time frame the right time frame? Do we have our own
15 recommendations to them that is correct? Have we
16 learned lessons to give them advice?

17 We know more than the individual grantees do
18 now on both the grants management front and the
19 substance side. So that's what I'm asking.

20 CHAIRMAN MADDOX: Those are good suggestions
21 again. And you might include in the review criteria
22 the conditions of the possible default options,

1 whatever, along the lines of what the Dean is
2 suggesting.

3 MS. BROWNE: This is Sharon Browne, and I'm
4 not on the committee. But as you review the milestones
5 that each of the grants are required to meet, is there
6 an onsite visit that you do to make sure that the
7 equipment is being purchased, that it's properly
8 implemented, so that you know that those milestones are
9 being met and it's just not a paper assurance?

10 MS. LABELLA: We don't have the resources to
11 have an onsite visit for each of the milestone
12 payments. However, periodically TIG staff do go out
13 for onsite visits. And as Glenn mentioned, the review
14 of the milestones does not include just a report from
15 the grantee, but also a lot of backup documentation.

16 So a lot of that can be verified through the
17 backup documentation that certain equipment was in fact
18 purchased, or at least the invoices are present, that
19 the online function is up and running. The websites
20 can be accessed to ensure that they are in fact up and
21 running. So there is that type of doublechecking.

22 MR. LEVI: Why isn't -- I'm sorry.

1 MS. BROWNE: Can I follow up? I have a
2 question just on that. Is it possible, because you
3 don't have the staff to do the onsite visits to make
4 sure that the milestones are being met, that, say,
5 something that's in OPP making a site visit --

6 MS. LABELLA: Yes.

7 MS. BROWNE: -- could in fact just doublecheck
8 that this is in place?

9 MS. LABELLA: Yes. And in fact, we do that.
10 The TIG team -- in fact, we will be hiring a third team
11 member. And we have three regional teams in OPP, so
12 there will be one TIG person assigned to each of those
13 teams.

14 And as we proceed to do visits, there will be
15 a coordination with the TIG team. And if there is a
16 TIG grant, that will be something that will be part of
17 the OPP visit.

18 But having said that, again, OPP doesn't
19 perform sufficient visits each year that correspond to
20 the TIG grants that we would be able to do an onsite
21 visit even every year for each of the TIG grants, not
22 to mention with respect to each of the milestone

1 payments. However, there is a follow-up when OPP staff
2 is onsite to look at what has been accomplished through
3 the TIG grants.

4 MR. LEVI: Well, just to follow on that, could
5 OCE help with this?

6 MS. LABELLA: OCE now -- and I'm not sure; is
7 Danilo here? OCE, when they go onsite and they review
8 the fiscal records, they can also -- part of that can
9 be the TIG funds. But I don't know that OCE would want
10 to embark on an independent review of TIG.

11 MR. LEVI: Well, but they could -- if you
12 prepared them with respect to their visit and they knew
13 what the grant money was supposed to go to, they could
14 at that least validate that, in fact, that's what
15 happened or is in process. That's compliance, isn't
16 it?

17 MS. LABELLA: I mean, that could be. I cannot
18 speak for OCE, but I can say that that could be, and
19 that could certainly be a suggestion that we would
20 bring.

21 MS. BROWNE: Well, I would think that it would
22 be kind of an early warning system, too, that

1 would -- if something is becoming a problem -- say, for
2 example, the staff is being resistant to the new
3 technology -- then maybe it would be just training,
4 additional training, to make them more comfortable with
5 it rather than just let the equipment kind of sit there
6 and gather dust.

7 MR. RAWDON: That's why I went to DNA in
8 person and sat down with the director and the staff to
9 see what we could do to do more on it. But it didn't
10 happen.

11 MR. LEVI: But if you're saying that the field
12 doesn't have sufficient -- well, if the OPP staff and
13 the OCE staff are not sufficiently technologically
14 adroit to be helpful when they're in the field or to
15 understand exactly what's happening, then that suggests
16 that you may need to have folks, or access to folks,
17 who can help you cover the field.

18 Am I misunderstanding?

19 MS. LABELLA: Well, I want to reemphasize that
20 when OPP staff go out, if there is a TIG grant, that is
21 part of our review.

22 MR. LEVI: But you're saying that the problem

1 is that OPP's not covering enough. Isn't that what
2 you're saying?

3 MS. LABELLA: That's correct. We do not do
4 enough visits, certainly with respect to the milestone
5 payments but even annually, that would cover all of the
6 TIG grants.

7 But to the extent that we do an onsite visit
8 and there is an existing TIG grant that is part of the
9 review, part of OPP's review includes technology
10 generally. And part of that would, of course, be any
11 TIG grants. But we do a technology review for all of
12 our onsite visits, our program quality visits.

13 MS. MIKVA: Is there actually a problem with
14 grantees submitting documentation or whatever that they
15 have reached the milestones, and then you find out they
16 haven't? Has that gone on?

17 MR. RAWDON: We haven't -- it hasn't been
18 brought to our attention.

19 MS. MIKVA: So the failures are other things?

20 MR. RAWDON: Yes. Like in DNA, they had the
21 kiosks. They were there. And in Utah, all the
22 technology was in place. It hadn't been any type of

1 malfeasance. It was just it didn't work.

2 MR. LEVI: But I'm also thinking about the
3 benefits of having a visit and then having the person
4 who's visited, who's technologically proficient, see
5 something in New York that says to them, oh, my gosh,
6 that really would help Kentucky.

7 DEAN MINOW: I think -- this is Martha Minow
8 again. I think that personal visits are the most
9 expensive possible way to do something that could be
10 done -- as you indicate, some of the even milestones
11 and certainly the final products can be checked online
12 and can be checked remotely.

13 I think that even the ones where we're asking
14 a question about were there actual instruments
15 purchased, you can use your videoconferencing or other
16 kinds of verification to do that.

17 I guess what I'm really -- it goes back to my
18 earlier question. What I'm wondering about is what
19 have you learned so that you can put in place systems
20 that deal better -- we have three issues.

21 One is verification, that what they promised
22 that they would be doing, they're doing; secondly, that

1 we actually learn what works and doesn't work; and
2 third, that John Levi just put on the table, that
3 there's learning across the fields.

4 And if you think that you don't have the
5 capacity to do this, is this some task that should be
6 put somewhere else, in another part of the organization
7 or even a board committee?

8 I think that we heard yesterday from directors
9 how central these technological innovations are to the
10 current moment, as well as to the reduction of service
11 in some areas, as well as to dealing with the remote
12 and rural community.

13 So this is absolutely critical, and it's a
14 moment, after some great experiences and some
15 disappointing ones, to learn something. And so I
16 return to that because I don't think I've heard enough
17 about how we're learning.

18 MS. LABELLA: I mean, I do think that we do
19 learn from our lessons learned. And even with respect
20 to DNA, one of the things we learned from that was this
21 kiosk approach may not learn very well. And part of
22 the R&D is not just whether the technology works, but

1 whether the technology is accepted by the clientele.

2 So it's not just a pure technology R&D. It's
3 a larger picture. And so one of the things we learned
4 from that is that that is an awkward type of use of
5 technology.

6 And part of the TIG review process is
7 feasibility, and in that would be buy-in. And as Glenn
8 mentioned, it's not just buy-in by the staff and the
9 program, but usually with partners who are involved in
10 the process, and they need to demonstrate that there is
11 adequate buy-in. So we have learned a lot and have
12 changed a lot of the TIG policies and procedures as we
13 have moved forward.

14 Now, one thing that Glenn didn't mention today
15 is the TIG conference. And I'm sure that you've all
16 heard about that before. And that is a very powerful
17 even that is held annually, usually in January. And
18 that's at a time when all of the new grantees for that
19 year are required to come, but many others come. And
20 it has become one of the penultimate technology
21 conferences in the country.

22 And at that conference, there is an

1 opportunity for a lot of inner-field sharing, where
2 they get to see highlighted different tech projects,
3 different TIG grants. And they have an opportunity to
4 benefit from, as you mentioned, if something is done
5 here, is that something could use, that Illinois has
6 done? And that occurs at the TIG conference.

7 In addition, there is a replicable aspect
8 that's evaluated in the grant process. And on the TIG
9 website there are a lot of grants that are highlighted
10 as being particularly those that other programs could
11 benefit from. So that we do try to endeavor to do this
12 cross-fertilization and pollination of what worked here
13 might be something useful there.

14 And as I mentioned, especially now with our
15 new TIG staff person, we have regular regional team
16 meetings and the TIG staff person attends those. And
17 so any particular technology needs that have been
18 discovered by the program counsel or indicated by the
19 program are reviewed at that time, with the TIG staff
20 present, so that we try to cover those issues through
21 the regional team meetings as well.

22 MR. RAWDON: And John, you asked about -- oh.

1 CHAIRMAN MADDOX: Karen?

2 MS. SARJEANT: Thank you. Karen Sarjeant,
3 vice president.

4 CHAIRMAN MADDOX: Let me just say, I don't
5 want to cut our discussion short, but we are not even
6 approaching a schedule at this point.

7 MS. SARJEANT: The one point I want to make
8 is, stepping back and responding to Martha's issue, I
9 think what we're talking about here is grants
10 administration and oversight. And in our response to
11 the GAO recommendations, we are going to step back and
12 look at our competitive grants system, which is grants
13 administration.

14 And this is another grant administration
15 program that we should step back and look at -- how
16 we're doing it. What are we doing? It's a program
17 that needs to go on, so we just need to make sure that
18 we're doing it correctly.

19 So even though our staff is working very hard
20 to do a lot of things, we're limited right now. But
21 that doesn't mean we shouldn't step back and take a
22 look at it, which is what we plan to do.

1 So I just didn't want this discussion to go
2 on, and it was sounding like we weren't going to do
3 that step back. Because I do think that's what needs
4 to happen, and that's what will happen.

5 CHAIRMAN MADDOX: So can we look forward
6 to -- I'm sorry. Tom?

7 MR. MEITES: I just have one short question.

8 CHAIRMAN MADDOX: Sure. Go ahead.

9 MR. MEITES: Janet, are you reasonably
10 confident that the executive directors of our 140
11 grantees all are aware of what you all are
12 doing -- that they know about the TIG conference, they
13 know about the listing on your website, so that they
14 know how to shop and they are shopping?

15 MS. LABELLA: I can't -- Glenn, do you want to
16 answer that?

17 MR. RAWDON: Tom, we've done a lot with
18 LSNTAP. There is a whole section in there that allows
19 people to come in, look for technologies, rate
20 technologies, see what other people are using. And we
21 have regular webinars of directors' roundtables, where
22 all the directors are invited to come in and

1 participate and share what they're doing with one
2 another.

3 So not only do we have trainings, we have a
4 tremendous sharing resource that's in this LSNTAP.
5 It's kind of like if you've been on Amazon and you want
6 to see how others have rated things. We take all the
7 different technologies -- accounting softwares, case
8 management systems.

9 There's an extensive case management system
10 review so that they can look for the features. We're
11 trying to make that available. And we send out
12 notices, LSNTAP does, to all the directors that these
13 resources are available.

14 MR. MEITES: And your sense is the directors
15 are interested? Up to speed? Participating? Most of
16 them? All of them? Just a few of them?

17 MS. LABELLA: Well, I think that --

18 MR. RAWDON: No. Most of them.

19 MS. LABELLA: And I think it's fair to say
20 that all of the directors are aware of TIG. All of the
21 directors are made aware of the TIG conference, and so
22 that -- so I think as to that we can say yes, they are

1 all aware of it. And they certainly have the
2 opportunity to get additional information from that on
3 the TIG website as well as through other materials and
4 avenues.

5 MR. MEITES: Thank you.

6 CHAIRMAN MADDOX: Does that complete our
7 presentation on TIG? Thank you very much.

8 MS. LABELLA: Thank you.

9 MR. RAWDON: Thank you.

10 CHAIRMAN MADDOX: The next item on our agenda
11 is the report on timely issuance of the OCE and OPP
12 program is it reports. Ms. Sarjeant?

13 MS. SARJEANT: Thank you. And I actually
14 don't have any additional report other than what is in
15 the board book, which is a memo to the audit committee
16 that sets out the status of our report timeliness.
17 It's something we're still working on. It's something
18 we need to improve. And it is, again, a part of our
19 response to the GAO recommendations that we're
20 continuing to work on.

21 MR. MEITES: I was pleased to hear you're also
22 looking about whether the kind of reports you were

1 writing make are making a lot of sense.

2 MS. SARJEANT: Yes. And I should add to
3 thought that as we do this, GAO responds. And you look
4 at the recommendations they made to us. One of the
5 things we will be looking at are the types of reports,
6 the format of the reports that we're doing, to see if
7 we are just creating a situation that's making it hard
8 for us to meet our own standards.

9 MR. MEITES: Thank you very much.

10 CHAIRMAN MADDOX: Karen, have you done any
11 analysis to determine to what extent you've actually
12 improved? I mean, you're saying here that you've made
13 improvements, but more are needed. Do we know what
14 percentage of reports are timely now versus a year ago
15 or three years ago?

16 MS. SARJEANT: We do. I don't have those
17 figures with me. But we put the time frames in after
18 the 2007 GAO report, so they went into effect in 2008.

19 And so we have a year or two, about a year's
20 experience. But we could provide that information.

21 CHAIRMAN MADDOX: Well, I just -- it's one
22 thing to say we're making progress, but it's another to

1 actually measure it.

2 MS. SARJEANT: We have measured it, and we
3 decided not to do the percentages but just report it.

4 CHAIRMAN MADDOX: Okay. Well, thank you for
5 the report.

6 Any comments or questions?

7 (No response.)

8 CHAIRMAN MADDOX: Okay. I'm going to ask that
9 we defer items 7 and 8 on the agenda just to move
10 along. I don't think the resolutions on the accounting
11 manual need to be addressed today. I have comments and
12 questions to add on the procedure for the complaints
13 from staff members that I don't think we have time to
14 address today, either.

15 So item No. 9 -- is there any objection to
16 that? If not, we're not going to move to item No. 9.

17 MR. LEVI: And what I'm thinking is that when
18 we have the Finance Committee meeting in September, we
19 may add a couple of other committees so that they can
20 clean up things.

21 CHAIRMAN MADDOX: Sure. Right. You can do
22 the -- Tom, did you hear? I was going to move?

1 MR. MEITES: No. I heard it, and that's fine.

2 CHAIRMAN MADDOX: Okay. Without objection,
3 then, I'm going to move to item No. 9 on the
4 agenda -- did we just get that from Karen? No.

5 MS. SARJEANT: No.

6 CHAIRMAN MADDOX: No, we didn't. Are you
7 going to do that, Charles?

8 MR. JEFFRESS: There's actually several people
9 involved in this presentation. My name should have
10 been there on the list, and it was not on it.

11 CHAIRMAN MADDOX: Okay. So this is the review
12 of the internal controls associated with grant awards.

13 MR. JEFFRESS: Right. I'll just give a
14 background, I guess, and then let these folks who do
15 the grant awards talk about it.

16 As you all recall, GAO said one of the
17 functions of an audit committee is periodically to
18 review the internal processes of the Corporation. Last
19 meeting we mentioned to you a series of processes we
20 thought would be appropriate for the audit committee to
21 review.

22 Since 95 percent of our money goes out of the

1 Corporation through this grant award process, this
2 seemed like the most important one to review initially.

3 So this presentation is by way of giving you a sense
4 of how the processes within the Corporation work to
5 award these grants and assure that the awards are
6 properly made and properly accounted for.

7 MR. MEITES: Before you start, this is
8 something that I think the Audit Committee is very
9 interested in. It's a detailed, multi-step procedure,
10 and we're under time pressure. Vic, it might make
11 sense for us to table this entire thing, set up a
12 special meeting, and go through it.

13 CHAIRMAN MADDOX: Yes. I don't disagree with
14 that, Tom. I've got a number of comments and
15 questions. It's an extensive list of things. And I
16 think that if there's no objection -- Jonann, do you
17 have any objection to that?

18 MS. CHILES: I do not object, no.

19 CHAIRMAN MADDOX: Then we will table this and
20 try to set up a special meeting at an appropriate and
21 convenient time.

22 Charles?

1 MR. JEFFRESS: Thank you, Mr. Chairman, for
2 suggesting an appropriate and convenient time. And let
3 me remind you that this is one of those items that GAO
4 is watching to see whether we complete their
5 recommendation. So I would encourage you, if you can
6 arrange a special meeting to do this before October,
7 that would be great.

8 MR. LEVI: Oh, I think that you'd better do it
9 in a couple of weeks.

10 CHAIRMAN MADDOX: Yes. Charles, is your
11 involvement essential to this review?

12 MR. JEFFRESS: It is not. I could be
13 available if you need me.

14 CHAIRMAN MADDOX: Okay. I know you're going
15 to be out some in August.

16 MR. JEFFRESS: That's right.

17 CHAIRMAN MADDOX: Thank you all very much.

18 Okay. The next item on our list is the
19 briefing by the Inspector General. And I turn it over
20 to you.

21 MR. SCHANZ: Thank you very much, Mr.
22 Chairman. With me is Dutch Merryman, the inspector

1 general for audit, assistant inspector general for
2 audit, who oversees the annual financial statement
3 audit of the Corporation. And we're here to just tell
4 you where we are with that, having extended the
5 contract for next year.

6 MR. MERRYMAN: A real quick report, just to
7 close out items from the last meeting. We met with the
8 comptroller to go over any issues that he may have had
9 or suggestions for improvement for the corporate
10 auditors.

11 We jointly sat down, had a telephone
12 conversation, and went over those issues. And we have
13 now -- upon notification of the chairman of the
14 committee, we have exercised the option year. And
15 we're in the process of modifying the contract to
16 recognize the new standards. So that is closed out,
17 and that's the end of my report.

18 CHAIRMAN MADDOX: Thank you.

19 MR. SCHANZ: Thank you.

20 CHAIRMAN MADDOX: That completes the OIG
21 report?

22 MR. SCHANZ: Yes, it does.

1 CHAIRMAN MADDOX: Okay. Thank you very much.

2 The next item on our list is public comment.

3 Is there any comment from members of the public?

4 (No response.)

5 CHAIRMAN MADDOX: I'm not seeing anyone rising

6 to their feet, so I'm assuming that there is none.

7 Is there any other new business to be

8 considered?

9 (No response.)

10 CHAIRMAN MADDOX: Hearing none, I will

11 consider a motion to adjourn the meeting. Is there a

12 motion?

13 M O T I O N

14 MR. MEITES: So move.

15 CHAIRMAN MADDOX: Second?

16 MS. CHILES: Second.

17 CHAIRMAN MADDOX: And the motion (sic) is

18 adjourned. Thank you very much -- or the motion is

19 passed and the meeting is adjourned. Thank you.

20 (Whereupon, at 11:47 a.m., the committee was

21 adjourned.)

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